

# CHAPTER I

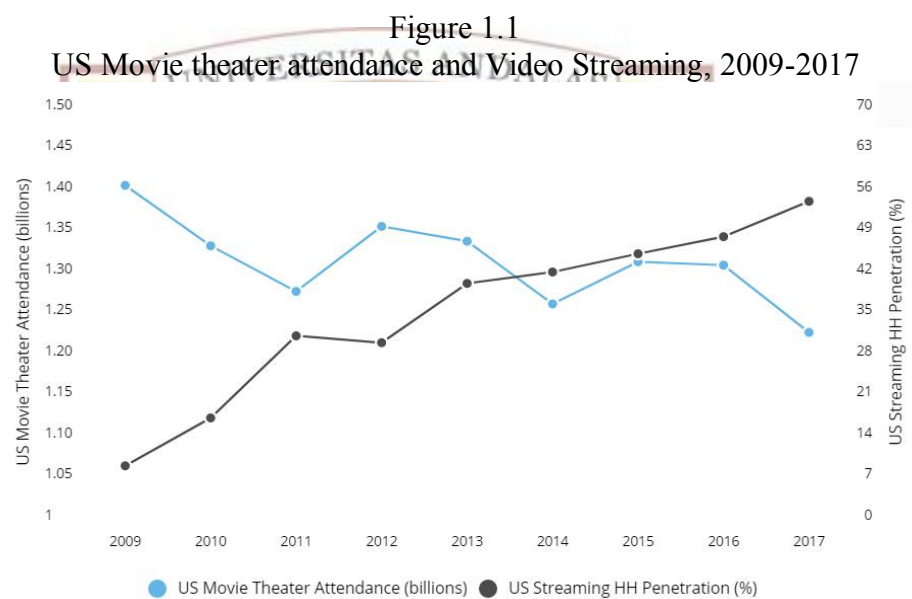
## INTRODUCTION

### 1.1 Background of Research

In the era of globalization, it encourages people to be able to adapt to the dynamic conditions, sustain and keep up with the developments. The development of technologies happens quickly, brings the effectiveness but also the disruptions, this condition affects almost all of the aspects of human life. The globalization era has a major impact on economic development and social, especially lifestyle. These events encourage people to find the right solutions to reduce stress and that means is entertainment. Entertainment is one part of the lifestyle. The choice of types of entertainment that can be varied as holidays, sports, relaxation, playing games and watching movies. There are several platforms can be used to watch the movie, start with watching at regular tv channel, home theater, watching at the cinema or streaming on the online digital platform.

Nowadays, several online digital platforms mainly used by peoples as the alternative of watching movies, called as streaming video on demand (SVOD); such as Netflix, Disney+, HBO Go, VIU, Youtube, and many more. The widespread use of online streaming is because the users get a lot of conveniences; flexibility, affordable cost and a variety of content. On this internet age, this phenomenon happened worldwide, according to statista.com, the user of SVOD in 2019 is 1 billion users and projected in 2024 hit the number of 1,308 billion user. Meanwhile in Indonesia, the user

of SVOD in 2019 is 19,41 million users and expected in 2024 to reach 30,09 million users. Hence, the development of the online platform as the entertainment option affecting the traditional lifestyle, especially watching a movie at the theater or cinema. Cinema is a place like a theater that is used for watching the films, played by using a projector, using a long big screen, and equipped with a good quality of a sound system.

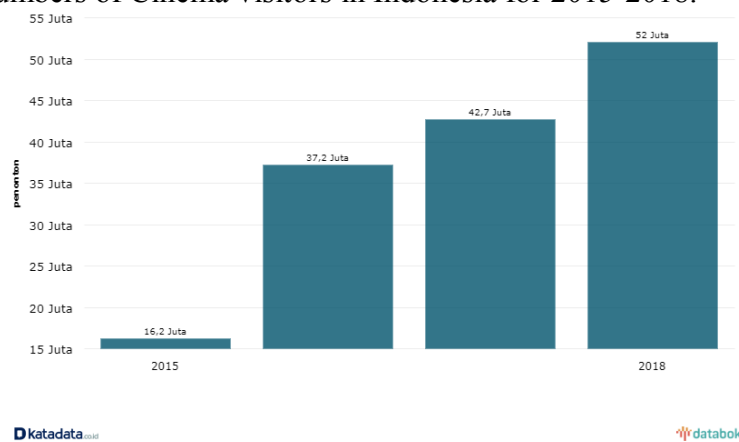


Source: "Digital Media Trends Survey: A New World of Choice for Digital Consumers", Deloitte Insights

In the United States, the presence of an online streaming platform is significantly disrupting the traditional streamer. Based on figure 1.1, the number of cinema visitors is decreasing for 200 million visitors in the range of 2009 to 2017, but the video streaming services users have a significant growth by achieving 55% penetration in 2017.

On the other hand, uniquely in Indonesia, the rapid development of online streaming does not greatly affect the number of visitors to the cinema, by seeing the data below, cinema visitors have a significant increase.

Figure 1.2  
Numbers of Cinema visitors in Indonesia for 2015-2018.



Source : Katadata.co.id

Cinema has recently become popular in society. According to figure 1.2, in 2015 the number of cinema visitors in Indonesia was 16.2 million, but in 2018 the number of visitors increased sharply to 52 million. Based on data from Gabungan Pengusaha Bioskop Indonesia (GPBSI), in May 2019, the total of theaters is 1.861 units, but it's expected to achieve 2000 theaters in late 2019. Based on the data, it can be concluded that the type of entertainment such as cinema is growing very rapidly in Indonesia.

The increasing number of visitors and the theaters is interesting regarding the use of the online streaming platform is quite widespread. The researchers conducted a small survey to find out why they want to watch the movies at the cinema. Commonly the answer is because the sensation of

watching a movie at the cinema is different, there are just looking for entertainment and some want to spend time with their friends or families and also looking for the latest movies. The other phenomena are shown by the customer's enthusiasm, reflected in several engagement activities carried out such as taking selfies at the cinema, take a photo of the tickets and sharing it on social media. The other activities such as doing a review on Google Maps and persuade the others to watch in the cinema.

The impression given by the cinema is very different compared to watching films on television or online streaming, start with the size of the screen, the quality of image, and a high definition all-surround sound. The watching atmosphere in cinema can be indicated as the quality of services. Hence, the role of cinema is irreplaceable. On the previous research that conducted in Bandung and Yogyakarta about factors that drive the customer to have a purchase in Cinema XXI is the excellence of service quality performed.

On the other hand, one of the reasons why people keep watching at the cinema is because of the sensation and the feel of togetherness. The motivation that drives people to go to the cinema is varied, some go to the cinema only to have fun, spend time with friends, family and just enjoying the entertainment, which the behaviors that based on emotional aspects and representing the hedonic value. Babin et al., 1994; Holbrook & Hirschman, 1982, define hedonic consumption refers to fun, entertainment, fantasy, arousal, motivation, and sensory enjoyment.

In Indonesia, many cinemas have already been established, but only a few large companies that dominate the market share, they are 21 Cineplex Group, New Star Cineplex, Cinemaxx, CGV, and Cineplex Platinum. From these companies, 21Cineplex Group leads the market share. The subsidiaries of 21Cineplex Group are The Premiere, IMAX and Cinema XXI, but one of the three subsidiaries who have rapid expansion is Cinema XXI. Cinema XXI is targeting the middle-income level customers. The majority of films screened at Cinema XXI are the latest Hollywood films and Indonesia films.

The expansion is rapidly growing in number. This is supported by the growth rate data of Cinema XXI in Indonesia. Every year, they open the new cinemas in large and small cities, replacing the existence of Sinema 21 and local cinema. Catherine Keng, who has responsibilities in Corporate Communication at Cinema XXI state that, the expansion will be done and well distributed. Cinema XXI in 2019 plans to add 150-200 new screens with a budget allocation of Rp 1 trillion that comes from internal funding and banking support.

In 2016, Cinema XXI opened its branch at Plaza Andalas, Padang. One year later, in 2017, the second Cinema XXI is opened in Transmart Padang. The presence of Cinema XXI Transmart Padang slowly affect the established competitor, in this case, is Cinema XXI Plaza Andalas. This condition requires both of them to be able to perform the best performance, as well as the service quality so that it can satisfying the customers.

Cinema XXI is a franchise brand, the quality of the services is standardized for all the branches, including Cinema XXI in Plaza Andalas and Transmart Padang. For every branch, the service quality in the tangibility context is almost similar such as the interior design, the facilities, the uniforms of employee, ambiance and the tools. The differences come from the service delivery which represent by the employees such as responsiveness, assurances, reliability, and empathy.

The responsiveness context is refer to the quickness and timeliness of the delivery services, for example how the cinema can stick to the timeline to start the movie and how fast processing time when ordering tickets or beverages. This context also has a role in how the employees able to observe the needs and demands of customers. The next context is reliability, refers to the quality of service that is delivered, the credibility of employees in served the customers according to manner and procedures. An example like how the security ethically doing a checking procedure, how the waitresses offering and making the snacks. The another context of service quality is the empathy shown by the employees and businesses, how the employee give an attention to the customers and take care of them. This context is different for each branch because it comes from the emotional motivation and the culture that has been created on the field. In Cinema XXI Transmart it self, usually, the waitress will freely guide the visitors to find the studio and also the office boy will help the visitors to use the toilet facilities. The last context is about the assurance, the quality of services that targeted the feeling of security and trust

toward the business. In Cinema XXI Transmart Padang itself, usually, the kind of services related to this context is the security check when entering the cinema and also personal attention by the employees when the visitors ask for help or look confused when find the studio or toilet. Based on these aspects, there will be a difference for each branch on how good the quality of services delivered.

The service quality provided by Cinema XXI, in general, is very good and logically can be considered capable of meeting the expectations of customers. They have digitalized the systems, the tickets are available for online purchase, customers can already order tickets anytime and anywhere. Good or bad the quality of service greatly affects the level of customer satisfaction, because it includes the differences between the level of expectations and the level of performance.

Because the service quality is one of the motivation factors that makes people want to watch at the cinema, the other factor is the emotional aspects related to hedonism. Many customers today live in a hedonistic society driven by the feeling of pleasure over necessity (Skov & Egeberg, 2011). Cinema XXI is the hedonic type of brand. The hedonic brands are mainly purchased because of the emotional satisfaction that customers achieve by features such as entertainment (Dhar & Wertenbroch, 2000), which are evaluated based on the aspects of perceived, sensory and emotional experiences (Overby & Lee, 2006). Cinema XXI is offering service with watching the movie as the main selling point, relying on customer's sensory to enjoy the services which giving

a pleasurable and entertaining experience. Hedonic according to O'Shaughnessy 2007, devised the dimension into four, psychological, ethical, universal and rationalizing hedonism. Psychological hedonism refers to the perception of customers that pleasure is the object of desire. Then, ethical hedonism is the belief that pleasure is the only thing to pursue. Furthermore, universal hedonism is the mindset that people should act in ways that bring the most pleasure. Lastly, rationalizing hedonism is the belief of pursuing pleasure for its own sake. Since hedonic value is the seeking for fun activities, looking for entertainment, and fantasy (Babin et. al. 1994), that seeking activities lead the customers to expect the highest level of satisfaction.

According to Kotler and Keller (2012; 128), satisfaction is a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance to expectations. The aspects that influence the level of customer satisfaction in cinema industry can become from two aspects; specific or transactional satisfaction is the evaluation made by a consumer about a particular experience with a product or encounter with a service (Olsen and Johnson, 2003), while cumulative satisfaction refers to the general evaluation made by customers about a product or service provider, which takes into account all their experiences with the provider to date (Czepiel et al., 1974; Johnson et al., 1995). The researchers only focus on the cumulative satisfaction or general evaluation, because the quality of movie in screening



totally depends on the movie production process and it is outside of Cinema XXI handling.

However, regarding the customer satisfaction as the consequences of service quality and hedonic value, satisfied or dissatisfied feeling can lead the customers to have a positive or negative engagement activity to the brand. But the companies must not rely on the satisfaction of their customers, they should make sure that their satisfied customers are engaged (Najafi et al, 2014). Customers who has positive engagement to the brand is not only securing a loyalty but far beyond in becoming a valuable assets for a company. Some researchers propose the consequences of customer engagement, namely satisfaction, trust and loyalty (Brodie et al., 2011; Hollebeek, 2011). In identifying customer engagement as the one of main topic of the research, the Marketing Science Institute (MSI, 2010) defines customer engagement as a manifestation of customer behavior towards the brand or company outside of purchasing activities that result from individual customer motivations such as word of mouth, recommendations, interactions between consumers, blogging, writing reviews and other similar activities.

Engagement activities are both side activity, which means it can be initiated by a company or the customers. Based on researcher observation on object phenomena, the efforts made by Cinema XXI in maintaining engagement activities for its customers are very minimal and quite passive, but in reality, the number of behavior engagements done by customers towards the brand is quite high. Some engagement phenomena that occurred

are interactions between the customers after making a transaction, activities of taking a photo of the tickets and with families and friends which are indirect as engagement activities are done by the customers. The feel of pride when watching and the intention to share these feelings is quite high for its customers, especially teenager-young adult customers. This is what drives them to share photos or reviews on their social media accounts. The reviews conducted by the customers on Google Maps application is quite high, they provide suggestions on company performance and their experiences, in the form of complaints or happy testimonials. In its behavioral interpretation customer engagement goes beyond purchase and is a behavioral manifestation toward the brand or firm, often involving others in the social network created around the brand, offering or activity (Verhoef et al., 2010; Vivek et al., 2014.)

The phenomena of customer engagement in Cinema XXI Transmart Padang namely as customer engagement behavior, Van Doorn et al. (2010) defines it as the manifestation towards a brand or firm, beyond purchase, resulting from motivational drivers such as word-of-mouth activity, recommendations, helping other customers, blogging, writing reviews. Therefore, the development of customer engagement is starting to discuss the emotional aspect and cognitive aspect of engagement including the behavior aspect, namely as multi-dimensional engagement. The researcher wants to investigate the multi-dimensional aspects that happen at Cinema XXI Transmart Padang which relate to enthusiasm, attention, interaction, and

absorption. The enthusiasm is representing the level of customers excitement and interest to the brand, attention represents the level of customers attentiveness to the brand, absorption represent the feel of engrossed in playing the role as the customers of the brand, then the interaction refers to the level of customers participation and interaction toward the brand in online or offline. The last aspect is the identification, represent the level of belongingness to the brand. These aspects of engagement hopefully can represent the engagement level of customers in Cinema XXI Transmart Padang.

Based on the observation above, the researchers is interested to analyze and investigate how the relationships of the quality services provided and the hedonic value adopted by the customers, can drive them to watch movies at the cinema. Then, connecting the consequences of their expectations represented by the satisfaction level to the intention to engage with the company.

The observation will be discuss further in the form of research entitled: **“The Effect of Service Quality and Hedonic Value toward Customer Engagement with Customer Satisfaction as the Mediating variable (A Case Study on Cinema XXI Transmart Padang Customers)”**

## 1.2 Problem Statements

Based on the description on the background, the problem can be formulated as follow:

1. How does service quality affect customer satisfaction at Cinema XXI Transmart customers?
2. How does service quality affect customer engagement at Cinema XXI Transmart customers?
3. How does hedonic value affect customer satisfaction at Cinema XXI Transmart customers?
4. How does customer satisfaction affect customer engagement at Cinema XXI Transmart customers?
5. How does service quality affect customer engagement mediated by customer satisfaction at Cinema XXI Transmart customers?

### 1.3 Research Objectives

The author thought that it's important to identify the influence of service quality and hedonic value toward customer engagement that mediated by customer satisfaction. The research questions addressed in this study are :

1. To analyze the influence of service quality affect customer satisfaction at Cinema XXI customers.
2. To analyze the influence of service quality affect customer engagement at Cinema XXI Transmart customers?
3. To analyze the influence of hedonic value affect customer satisfaction at Cinema XXI customers.
4. To analyze the influence of customer satisfaction affect customer engagement at Cinema XXI customers.

5. To analyze the influence of service quality affect customer engagement mediated by customer satisfaction at Cinema XXI Transmart customers.

#### **1.4 Significant of Research**

This research hopefully will give a significant contribution to:

##### **1. Theoretical Advantages**

Trought the research process and the results, this research can be a reference source and contribute to the development of studies on strategic marketing and can be used as the reference in future research. Especially customer engagement in customer behaviour considering the lack amount of empirical research that has been conducted. The researchers can understand the application of the theory on the field and gain more the knowledge and insight regarding the Marketing Management Strategy and Customer Behaviour, especially the application of Service Quality, Hedonic Value, Customer Satisfaction and Customer Engagement on real product and services.

##### **2. Practical Advantages**

The result of this research can be a reference in measuring businesses competencies in their marketing strategy, and as the material consideration in implementing good Service Quality and utilizing the Hedonic Value to increase the customer satisfaction level. Expected to be beneficial for the company to improve and sustain in the market.

## 1.5 Scope of Research

The object of this research is the customer who have purchase the services at Cinema XXI Transmart Padang. The research will focus on Service Quality, Hedonic Value toward Customer Engagement with Customer Satisfaction as mediating variable.

## 1.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, namely:

### **CHAPTER I : INTRODUCTION**

Elaborating on the background of the problem, formulation of the problem, limiting the problem, research objectives, the benefits of research, and systematic thesis.

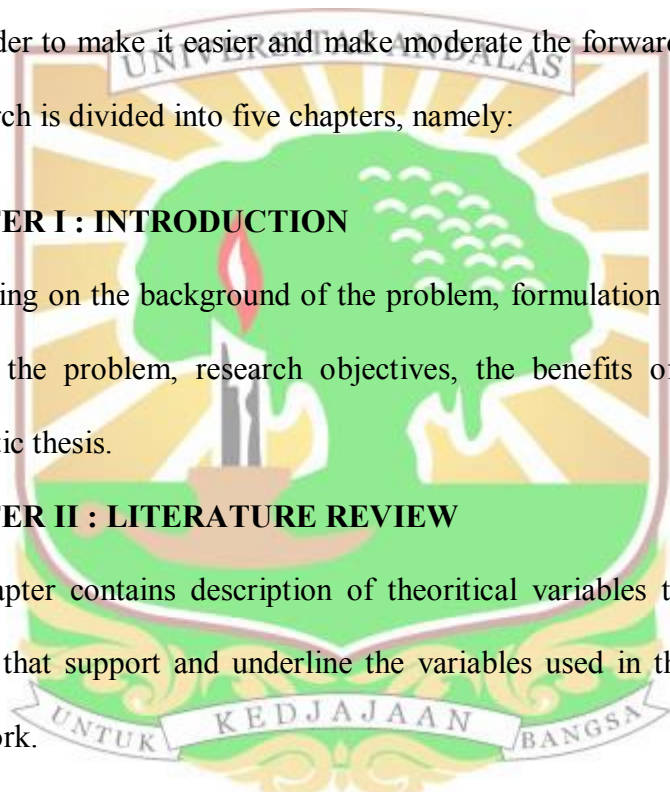
### **CHAPTER II : LITERATURE REVIEW**

This chapter contains description of theoritical variables that include the theories that support and underline the variables used in the research and framework.

### **CHAPTER III : RESEARCH METHOD**

In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

### **CHAPTER IV : RESULTS AND DISCUSSION**



Is a discussion that includes the characteristics of respondents, the description of the respondent's answers, and the results of data analysis and discussion.

## **CHAPTER V : CONCLUSION AND RECOMMENDATION**

The final chapter that contains the conclusion of the research result, research implementation, suggestion, limitation of research and recommendation for further research.

